

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6051**

**BILL NUMBER:** SB 346

**NOTE PREPARED:** Dec 29, 2007

**BILL AMENDED:**

**SUBJECT:** Property Tax Circuit Breaker.

**FIRST AUTHOR:** Sen. Delph

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill eliminates the 2% assessed value property tax circuit breaker credit after 2008. It provides a property tax credit equal to the amount by which a property taxpayer's property tax liability exceeds 102% of the property tax liability imposed in the preceding year.

The bill indicates that any reduction in collections due to the property tax credit does not relieve a political subdivision from the requirement of fully funding the payment of debt service or lease rentals.

**Effective Date:** July 1, 2008.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** NOTE: *The following analysis of the current and proposed property tax circuit breaker credits are subject to change as trending/equalization adjustments are finalized each year and as actual normal assessed value (AV) and levy growth rates become known. The actual credits will differ from these estimates.*

Compared with the credits under current law, the credits under this proposal would cost about \$378 M more in CY 2009 and \$271 M more in CY 2010. The current 2008 credit would not be affected by this bill. The effect on each taxing unit differs greatly under the current and proposed credits.

Under current law, the property tax circuit breaker credit applies only to homesteads in 2008 and 2009, and

all other property in 2010. The credit equals the amount by which net taxes exceed 2% of gross assessed value. The credit is reduced by the amount of the credit that would otherwise be attributable to the school general fund. After 2009, the circuit breaker credit will apply to homesteads at the 2% gross AV threshold and to all other real and personal property at a 3% gross AV threshold. The credits reduce revenues for local civil taxing units and school corporations in affected counties.

Beginning in CY 2009, this bill would replace the current credit with a new credit that would apply to all real and personal property. Under the proposal, each taxpayer's tax bill increase on property which was also owned in the previous tax year and remains unchanged would be limited to 2% per year.

The cost of the credit for personal property cannot be estimated and, in fact, may be minimal overall. This credit applies specifically to property that was assessed in both the current and previous years. As personal property ages, its assessed value is reduced through the property tax return's depreciation schedule. Except for certain oil refinery and integrated steel mill equipment, if the total assessed value of all of a taxpayer's personal property falls to 30% of the adjusted cost, the assessment stops declining. (This is known as the 30% floor.) The 30% floor will not be reached by a taxpayer whose new investment keeps pace with the depreciation of existing equipment, so the AV of existing assets continues to fall. However, if a taxpayer's personal property is assessed at the 30% floor and net tax rate growth exceeds 2%, then that personal property would qualify for the new credit. Credits on personal property may be indicated in locations with large amounts of property assessed at the 30% floor.

The cost of the new credit for real property under this proposal is estimated at \$421 M in CY 2009 and \$559 M in CY 2010. The credit for real property would likely apply in most counties and in most taxing units.

By comparison, the cost of the circuit breaker credit under current law is estimated at \$42.6 M in CY 2009, and \$287.9 M in CY 2010. The current credit will affect an estimated 868 taxing units in 69 counties when fully implemented in 2010. There are a total of about 2,400 taxing units in the 92 counties (or about 2,500 when the cross-county units are counted in each county).

The bill would also require taxing units to fully fund the payment of debt service and lease rentals regardless of any revenue reduction due to the credits.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** All local civil taxing units and school corporations.

**Information Sources:** LSA parcel-level property tax database; Local Government Database.

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.